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**UniSourceEnergy
SERVICES**

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Post Office Box 711, Tucson, Arizona 85702

August 24, 2010

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: UNS Electric, Inc.'s Pricing Plan Rider -3
Docket No. E-04204A-10-0162, Decision No. 71821

UNS Electric, Inc. hereby files its Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") Calculation as applicable to Pricing Plan Rider-4 NM-PRS in compliance and consistent with Decision No. 71821 (August 10, 2010).

If you have any questions or require further information, please do not hesitate to contact me at (520) 884-3680.

Sincerely,

Jessica Bryne
Regulatory Services

Cc: Compliance, ACC

Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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**Pricing Plan Rider-3
Market Cost of Comparable Conventional Generation
(MCCCG) Calculation
as Applicable to Pricing Plan Rider-4 NM-PRS**

AVAILABILITY

The Market Cost of Comparable Conventional Generation (MCCCG) calculation, Rider-3, is restricted solely to Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service (NM-PRS). If for a billing month a Pricing Plan Rider-4 NM-PRS Customer's generation facility's energy production exceeds the energy supplied by the Company, the Customer's bill for the next billing period shall be credited for the excess generation as described in Pricing Plan Rider-4 NM-PRS. The excess kWh during the billing period shall be used to reduce the kWh supplied (not kW or kVA demand or customer/facilities charges) and billed by the Company during the following billing period. Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill - the Company shall credit the Customer for the positive balance of excess kWhs (if any) after netting against billing period usage. The payment for the purchase of the excess kWhs will be at the Company's applicable avoided cost, which for purposes of Pricing Plan Rider-4 NM-PRS shall be the simple average of the hourly MCCCG as described below for the applicable year.

The Commission provided guidance on defining MCCCG in the context of its REST Rules and identified the MCCCG as "the Affected Utility's energy and capacity cost of producing or procuring the incremental electricity that would be avoided by the resources used to meet the Annual Renewable Energy Requirement, taking into account hourly, seasonal and long term supply and demand circumstances. Avoided costs include any avoided transmission and distribution costs and any avoided environmental compliance costs." R14-2-1801.11.

CALCULATION/METHODOLOGY

For purposes of calculating credits to the Customer for Excess Generation, the unit price paid (Credit for Excess Generation) shall be the simple average of the MCCCG over the 8,760 hours (8,784 in a leap year) hours in the forecasted year. The MCCCG in each hour is based on whether native load requirements will be met by internally owned or contracted generation resources or if market purchases will be required to meet native load requirements. The following table provides a description of the MCCCG methodology. The hourly MCCCG cost determination criteria is based on the Market Condition and Dispatch Type. This method of cost determination is very data intensive and will be calculated annually by running UNS Electric's "Planning and Risk" modeling software, and the rate will be filed with the Commission by April 1 of each year and its applicability will coincide with the next Purchased Power and Fuel Adjustment Clause ("PPFAC") rate effective period.

RATE

The customer monthly bill shall consist of the applicable Pricing Plan charges and adjustments in addition to the Credit for Excess Generation based on the MCCCG. The MCCCG rate is an amount expressed as a rate per kWh charge that is approved by the Arizona Corporation Commission on or before June 1 of each year and effective with the first billing cycle in June.

Credit for Excess Generation as of August 1, 2010
\$0.04110 per kWh

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: Rider-3 MCCCG
Effective: August 1, 2010
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**Pricing Plan Rider-3
Market Cost of Comparable Conventional Generation
(MCCCG) Calculation
as Applicable to Pricing Plan Rider-4 NM-PRS**

MCCCG Cost Determination Matrix

Market Condition and Dispatch Type					
	Selling to Market from In House Real and Contracted Generation Sources	MCCCG Cost Based on Incremental Production/Purchase Cost of Base Load Generation for that hour			
	No Market Transactions from/to In House and Contracted Generation Sources				
	Purchasing from Day Ahead Market, but not Spot Market, to meet Native Load Requirements	MCCCG Cost Based on Average Day Ahead Market Price of Purchased Power for that hour			
	Purchasing from Spot Market to meet Native Load Requirements	MCCCG Cost Based on Average Spot Market Price of Purchased Power for that hour			

Incremental Production / Purchase of Base Load - The cost of the next kWh (incremental) amount of load that has to be provided by UNS Electric generation sources and/or purchased power. This will be dependent on the season, month and time of day.

If Day Ahead Market or Spot Market purchases are being used to provide for reliability support capacity to meet native load requirements by freeing up in house or contracted generation resources for regulation or spinning reserve purposes for support of native load requirements, that would still represent a Market Purchase for purposes of determining which matrix box is applicable.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
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